

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6390

BILL NUMBER: SB 321

NOTE PREPARED: Jan 25, 2012

BILL AMENDED: Jan 25, 2012

SUBJECT: Transportation and Logistics Income Tax Credit.

FIRST AUTHOR: Sen. Wyss

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) The bill provides an income tax credit for new expenditures made before January 1, 2019, by a taxpayer for making an improvement to real property that is related to constructing a new, or modernizing an existing, multimodal transportation facility. It provides that the amount of the credit for a taxable year is equal to: (1) 25%; multiplied by (2) the amount of the qualified expenditures made by the taxpayer during the taxable year minus the average annual qualified expenditures made by the taxpayer during the immediately preceding two years. It limits the credit that may be claimed for a taxable year to the taxpayer's state tax liability for that taxable year. It allows the taxpayer to carry over any unused credit for nine years. It provides that the credit may not be refunded, carried back, or transferred to another taxpayer. This bill limits the credit to \$10,000,000 for each state fiscal year. It also requires the Department of State Revenue to annually report to the State Budget Committee concerning the use of the credit, including summary information and the name and address of each taxpayer claiming the credit and the credit amount claimed by each taxpayer.

Effective Date: January 1, 2013.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the new tax credit. The DOR would also incur administrative expenses to report annually on the use of the credit. The DOR's current level of resources should be sufficient to implement the new tax credit.

Explanation of State Revenues: (Revised) *Summary* - The bill establishes an income tax credit for certain multimodal transportation facility investment made in Indiana by individual and corporate taxpayers. The credit would be available for qualified investment made beginning in 2013 and before 2019. The annual revenue loss

from this credit is indeterminable but could be significant based on historical underlying growth in logistics and transportation investment. The bill limits the amount of credits that may be approved to \$10 M per fiscal year. The revenue loss could begin in FY 2013 if taxpayers approved for tax credits in the first half of 2013 adjust their quarterly estimated payments.

(Revised) *Background Information:* The tax credit would be equal to 25% of new expenditures for making an improvement to real property located in Indiana that is related to constructing a new, or modernizing an existing, multimodal transportation facility that increases efficiency in the intermodal transportation of goods. Under the bill, new qualified expenditures would be the increase in qualified expenditures in the tax year over the average annual qualified expenditures during the two immediately preceding tax years.

Tax credits would be approved during the year by the DOR. The bill limits the total tax credits that may be approved during a fiscal year to \$10 M. The credit could be claimed against the individual adjusted gross income (AGI) tax, the corporate AGI tax, the financial institutions tax, and the insurance premiums tax. Revenue from these taxes distributed to the state General Fund. Unused credits not claimed in the year of approval could be carried forward for an additional 9 years. The bill prohibits carry back of unused credits and prohibits selling, assigning, or transferring credits.

Estimates using national investment data suggest that from 1999 to 2010 aggregate fixed investment on structures in the warehouse and transportation sectors in Indiana grew as defined by the bill in 7 of the 12 years. The average annual growth totaled \$53 M to \$62 M during the 7 growth years. In addition, the 5 years of decline still could have generated growth as defined by the bill on an individual firm level, but this growth is not discernible in the aggregate data. Estimates relating to fixed investment on equipment and software in Indiana are not estimated as the national data is not sufficiently detailed to exclude expenditures on vehicles and other equipment that would not be creditable under the bill. The amount of the investment totals that may have been connected to construction or improvement of multimodal transportation facilities as specified under the bill is unknown.

The estimates of Indiana fixed investment on structures in the warehouse and transportation sectors were derived from National Income Product Accounts data from the U. S. Bureau of Economic Analysis. The national fixed investment totals were allocated to Indiana based on the ratio of Indiana GDP to U.S. GDP in the warehouse and transportation sectors and the ratio of Indiana Employment to U.S. Employment in the warehouse and transportation sectors.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: GDP, Employment, and Fixed Investment Data from Bureau of Economic Analysis, <http://www.bea.gov/>.

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